

First Botswana property performance report released, total return 20.9%

Investment Property Databank (IPD) released the first Botswana property performance report yesterday, 13 November 2012 in Gaborone. It indicated a total return of 20.9%, which represents the ungeared total return to directly held standing property investments from one open market valuation to the next.

This return on Botswana property is comprised of a 10.8% income return, coupled with 9.2% capital growth throughout the year. Headline inflation in Botswana over the same period, however, was also 9.2% - meaning that growth in nominal terms was in fact stable and highlights the importance of income yields in the property market.

Retail and residential property investments outperformed offices, reflecting the impact of recent development activity in the office sector and the resulting pressure on rental levels in the short to medium term, as new supply comes online.

The report presents a fully-fledged indicator of results that will provide effective comparisons for market trends going forward and is a significant step forward in the promotion of transparency in the Botswana property industry.

Keynote speaker at the launch was Lebonaamang Mokalake, Minister of Lands & Housing, underscoring the Botswana government's support of the initiative.

Six leading investment portfolios

The IPD Botswana Property Performance Report is based on a sample of 81 individual properties with a total value of just under P2 billion. The figures represent the combined holdings of six leading Botswana property investment portfolios: Botswana Insurance Fund Management Property Portfolio, Debswana Pension Fund, Letlole La Rona Limited, Motor Vehicle Accident Fund, Primetime Property Holdings Limited and Turnstar Holdings Limited.

The report is the result of many months of collaboration between IPD SA and key partners in Botswana, namely founding sponsor Botswana Insurance Fund Management (BIFM) and industry association Real Estate Institute of Botswana (REIB).

"The critical factor in an undertaking of this magnitude is finding the right partners, especially in the property sector where local context and knowledge is paramount," says IPD SA MD Stan Garrun.

Botswana to share expertise with other growth economies

IPD is the leading global provider of real estate benchmarking services and Botswana is only the second African country to join the stable of property research provided in more than 30 countries around the world. The first African report was for South Africa, launched in the mid-nineties.

BIFM, founded in 1975, is a wholly owned subsidiary of Botswana Insurance Holdings Limited (BIHL), one

of the top listed companies in Botswana. SA-based Sanlam holds a 54% stake in BIHL, with the balance owned by the Botswana public.

The fund today controls a P15-million portfolio of investments.

"With its roots firmly planted in Africa and its experience in providing innovative solutions for dynamic wealth management in emerging markets, BIFM is committed to sharing its expertise and experience with stakeholders in other African countries, especially those whose economies are undergoing similar transformations to Botswana," says BIFM CEO Tiny Kgatlwane.

Opening up the market

The report is expected to pave a way forward for the opening of Botswana's property investment sector to a range of new buyers and provides an important tool for local players.

"Players in both local and global property markets increasingly expect comparative, accurate and timely data," adds Garrun.

Offering an objective performance report is a real competitive advantage to a fund and assists companies improve their investment and management processes through the availability of credible data and research. The information over time helps investors and managers to take a disciplined approach to asset and portfolio risk management and can facilitate cost reduction and increased efficiency of properties.

"This is a historical event for the Botswana property market and the local investment community. IPD is privileged to be part of it," he concludes.

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